

H.R. XXXX, Universal Higher Education and Lifetime Learning Act **(Emanuel/Camp)**

Strengthens and simplifies three higher education tax incentives into one simple tax credit. The Emanuel/Camp bill consolidates the Hope Credit, Lifetime Learning Credit, the tuition tax deduction into one easy-to-understand credit, which combines the best features of the existing tax benefits.

- Every year, students and taxpayers struggle to understand if they qualify for any of the higher education tax breaks and which one will provide the maximum benefit. Since these provisions have different rules, income eligibility levels, and phase-outs, the resulting complexity results in many eligible taxpayers not filing for these benefits. According to a GAO study (GAO-07-262T), 27 percent of eligible tax filers did not claim either the tuition deduction or an education tax credit.

Makes college more affordable for the middle class. The Emanuel/Camp bill provides a maximum \$3000 credit that is available on a per student basis. The bill expands eligibility for the credit to higher income levels (credit phases out between income \$50,000 and \$80,000 for single filers and \$100,000 and \$160,000 for joint filers), expanding the benefit for middle-class families struggling to keep up with rising tuition costs.

- By contrast, the Hope Credit provides a maximum credit of \$1650 per student and only provides it for the first two years of college. The Lifetime Learning Credit provides a maximum credit of \$2000, but is only available on a per return basis. The tuition tax deduction provides a maximum tax benefit of \$1000 per student.

Makes college more accessible for the middle class. Unlike current tax benefits for education, the Emanuel/Camp bill provides a 50% refundable tax credit. One-third of all American households do not have federal income tax liability. A refundable education credit will allow these households, for the first time, to receive a tax benefit for education.

- The American Council on Education estimates that the credit will provide a benefit to 9 million students at four-year public and private colleges.
- The American Association of Community Colleges estimates that the credit will provide a new benefit to 400,000 students and an increased benefit to 750,000 students.

Creates universal credit for all post-secondary education. The credit is available for all four years of college (public or private), two years of community college, two years of graduate school, and is available to individuals that are updating their skills in a training or certificate program.

Credit can be used to cover the cost of books, supplies, equipment, room and board, and transportation. Non-tuition costs comprise 70-80% of total education costs for four-year public college students and community college students. Under current law, the Hope and Lifetime Learning Credits, and the tuition tax deduction, can only be used to offset tuition and related fees. The bill synchronizes the definition of eligible education expenses used in federal financial aid programs, like Pell Grants, and the higher education tax credit.

- The average cost for books and supplies for two-year community college students is \$850 (source: College Board data, 2006)

Cost: The bill has not been scored by the Joint Tax Committee.